



Canadian Investment Fund, Ltd.
Canada's Original Mutual Fund
45th Annual Report 1977



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Canadian Investment Fund, Ltd.

Annual Report
for the fiscal year ended
December 31, 1977

Directors

G. Arnold Hart, M.B.E., *Chairman*
David W. Barr
Henry Borden, O.C., C.M.G., Q.C.
Hugh Bullock, G.B.E.
Alan Chippindale
Eric L. Hamilton
Howard J. Lang
Lucien G. Rolland
Ian D. Sinclair
John N. Turner, P.C., Q.C.

Officers

Hugh Bullock, *President*
A. Blaikie Purvis, *Vice-President and Secretary*
Carl J.S. MacCallum, *Vice-President*
Thomas C. Camp, *Vice-President*
Robert A. Bengough, *Treasurer*
Pauline Butkus, *Assistant-Secretary*

Custodian

The Royal Trust Company, *Toronto*

Transfer Agents

The Royal Trust Company
Vancouver, *Calgary, Regina, Winnipeg, Toronto, Montreal, Charlottetown*
The Trust Company of New Jersey
Jersey City

Auditors

Price Waterhouse & Co.
Montreal



Supervised by:
Calvin Bullock, Ltd.
Established 1894

Executive Offices

630 Dorchester Blvd. West
Montreal, Canada H3B 1X1

To the Shareholders:

We are happy to report to you on the forty-fifth year of progress of Canada's original mutual fund. The net asset value per share rose from \$4.21 at the end of 1976 to \$4.34 at the end of last year. Total return to shareholders, including dividends from income of 20¢ and from capital gains of 3¢, was 8.5% for the year.

During 1977 Canadian equity markets as a whole continued to advance moderately. The Toronto Stock Exchange Composite Index rose 4.5% following a rise of 3.9% in 1976. In the United States, the closely followed Dow Jones Industrial Index which had risen by 17.9% in 1976 gave back the gains by sliding 17.3% in 1977.

Within the overall equity markets in Canada there were wide divergences in group performance during the year. The Western Oil Index rose 35% and the Metals and Minerals Index dropped 28%. The relative weightings of these two groupings in your Fund's portfolio, some 15% in oil and gas related issues and 3% in mining stocks, illustrate the value of having both diversity and professional management in a sound mutual fund.

Interest rates have trended lower in Canada and higher in the U.S. which may in part explain the different kinds of performance in the two markets. The chartered banks' prime rate in Canada was only 1/4 % above that in the U.S. in early February. The central bank discount rate in the U.S. has risen three times in the past half-year and is now one percent below the central bank rate in Canada. Any further move upward in the U.S. may well signal an increase in Canadian rates.

Allowing rates to remain low might only reduce the value of the Canadian dollar and create more inflationary pressures due to increased costs of essential imports.

Your Fund has taken profits on some of the better performing stocks in 1978 and has slightly increased the defensive position for the short to medium term.

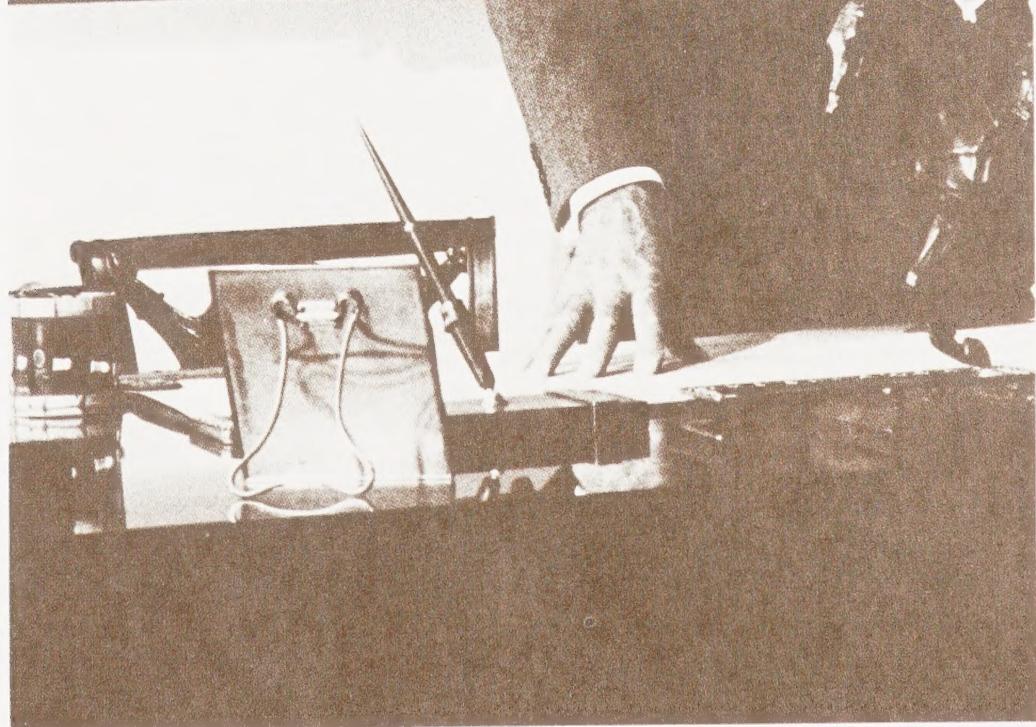
For 1978 it appears that modest economic growth is possible. Within this context it may well be that following the recent weakness in equity markets we will witness an improvement as the year progresses.

By order of the Board of Directors



President

February 27, 1978



Directors

The Directors of your Company are elected by and represent the shareholders. They receive weekly reports showing portfolio changes, sales and redemptions of shares and other pertinent operating figures. They review portfolio transactions at regular quarterly meetings and also make important contributions to the establishment of investment policy and to portfolio supervision by supplying significant information and opinion to the discussions of world and domestic developments which influence the trend of economic and financial affairs.

The individual Directors are also constantly available to the Investment Supervisor to hold discussions and provide opinions concerning their particular fields of business endeavour.

Investment Supervision

Your Company's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies.

10 Largest Holdings

The continuing policy of CIF is to seek a balance between reasonable income and capital growth. Shown below are the ten largest common stock holdings with their per share average costs and market values as at December 31, 1977. All quotes in Canadian Funds.

	Average Cost	Market Value
	\$	\$
Moore Corporation	11.15	30.62
IAC Limited	8.63	18.25
Hiram Walker	9.80	29.75
Royal Bank of Canada	13.29	27.62
Bank of Montreal	12.07	18.00
Canadian Pacific	14.88	17.37
General Motors	53.23	68.62
International Business Machines	237.25	298.53
Shell Canada	17.72	17.75
Interprovincial Pipe Line	12.97	14.12

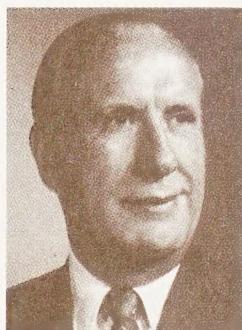
The Board of Directors



Chairman
G. Arnold Hart, M.B.E.,
Director and former Chairman and
Chief Executive Officer,
Bank of Montreal



President
Hugh Bullock, G.B.E.,
Chairman and Chief Executive
Officer, Calvin Bullock, Ltd.,
New York



David W. Barr,
Chairman and Director,
Moore Corporation
Limited



Henry Borden,
O.C., C.M.G., Q.C.,
Director, Massey-
Ferguson Limited



Alan Chippindale,
Former President,
Calvin Bullock, Ltd.,
Montreal. Founding
past President of CMFA



Eric L. Hamilton,
Chairman of the Board,
Canadian Industries
Limited



Howard J. Lang,
Chairman of the Board,
Canron Limited



Lucien G. Rolland,
President, Rolland
Paper Company,
Limited



Ian D. Sinclair,
Chairman and Chief
Executive Officer,
Canadian Pacific
Limited



John N. Turner,
P.C., Q.C.,
Partner, McMillan,
Binch; former Minister
of Finance

Shareholder Services Designed to Meet Your Investment Objectives

Over the years mutual funds have developed many and varied services for their shareholders. CIF, as Canada's original mutual fund, has been among the leaders in this respect. One or more of the CIF services outlined below are being utilized by a substantial number of shareholders with estate planning or other definite objectives in mind.

CIF Growth Plan

This plan is designed for anyone who wishes to make regular periodic contributions in order to build up his investment in CIF and to reinvest his dividends in new CIF shares. There are no penalties involved if the shareholder does not meet his proposed schedule of contributions.

CIF Retirement Savings Plan

Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings in which currently tax-free dividends are reinvested, can use the CIF Retirement Savings Plan. It allows individuals in Canada to utilize important current tax savings to provide retirement income.

CIF Systematic Withdrawal Plan

This Plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not enough, some shares are sold to make up the difference.

Deferred Profit Sharing Plan

This flexible Plan utilizes the provisions of Section 147 of the Income Tax Act. This Section permits companies incorporated in Canada to make contributions to this Trusteed

Plan, on a voluntary basis. Yearly contributions of up to \$3,500 per employee are considered a corporate expense for tax purposes and are not added to the individual employee's income. Individual employees may still make contributions of up to \$5,500 annually to their personal Retirement Savings Plan resulting in possible annual tax-sheltered savings of \$9,000 per individual.

Letter of Intent

This permits an investor to make a series of purchases of CIF shares over a 13 month period, frequently permitting the investor to take advantage of a reduced sales charge based on the aggregate dollar amount of purchases during the period.

Rights of Accumulation

As Calvin Bullock, Ltd., Montreal, is the distributor for both Special Shares of Canadian Investment Fund, Ltd. and the Mutual Fund Shares of Acrofund Ltd., an investor may obtain a reduced premium on the basis of his aggregate total purchases in such Funds; in addition a shareholder may add the value of his existing holdings to the intended purchase amount in determining the distribution premium to be paid. Calvin Bullock, Ltd. (or in the case of purchases under any of the Plans described above, The Royal Trust Company), must be notified, with particulars, when a purchase is made which would qualify for this reduced premium. The reduced distribution premium will be granted subject to confirmation of the purchaser's holdings. Full details of these Plans are available from any investment dealer in Canada, without obligation.

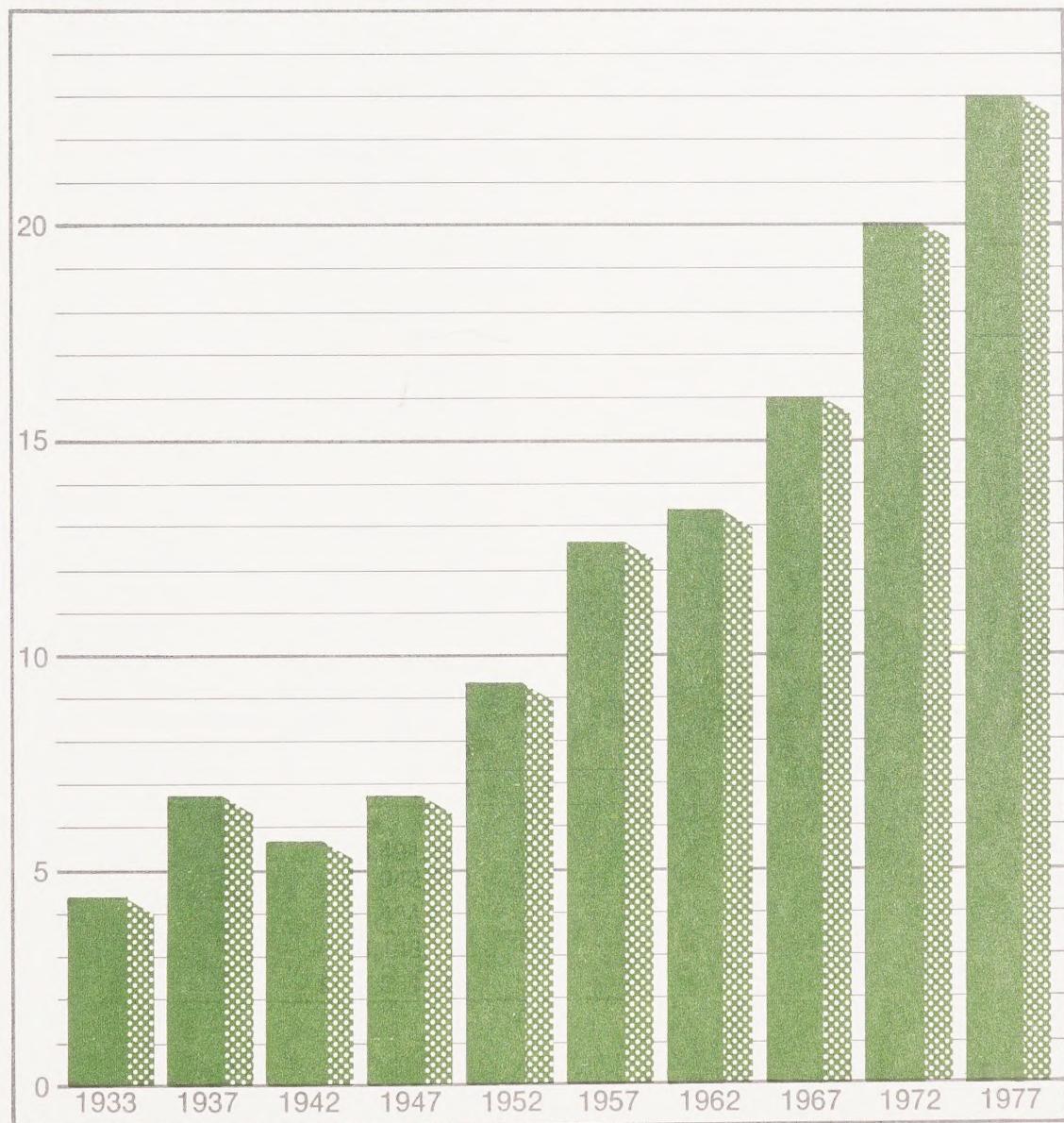
Dividends

Dividends paid in 1977 totalled 23 cents per share. Details of the make-up and Canadian tax status of this 23 cents are given on page 20. The chart below shows the substantial growth in dividends paid by the Fund since its inception.

At the end of 1977 total dividends paid by CIF exceeded \$153 million. Annual dividends paid per share in the 1970's:

1970 — 17¢	1974 — 28¢
1971 — 17¢	1975 — 21¢
1972 — 20¢	1976 — 23¢
1973 — 21¢	1977 — 23¢

Dividends
in cents per share



1977 in Review

Real growth of the Canadian economy during the past year was approximately 3%, or the same as in 1976. However, prices began to rise once again, reaching a level of 9.5% growth year over year by December, compared to 5.8% a year earlier.

Some critics claim the whole system of price and wage controls has failed. In fact this price performance must be considered in the context of the sharp drop in the Canadian dollar from late 1976 of some 10% vis-a-vis the U.S. dollar and a greater amount compared to sterling or yen, the currencies of our other major trading partners.

Had the dollar not declined due to a narrowing of domestic and foreign interest rates and decline in long-term capital imports, it is doubtful that a solid merchandise trade surplus could have been achieved. Many industries, such as textiles which are import substitute or forest products which depend on foreign markets, experienced healthy levels of employment in communities often dependent on a single industry.

A policy of extremely high interest rates and tight credit might well have maintained a stronger dollar and combatted inflation, but the cost would have been high in terms of unemployment. As it is, seasonally adjusted unemployment was 8.4% at year-end. This illustrates just what a narrow path the federal and provincial governments must walk following the 1973-75 period, when the Canadian economy lost some of its competitive edge due to skyrocketing costs of doing business including wages higher than in the U.S.

Unions, representing about one-third of the work force, are not entirely to blame for the weakened state of many of our industries. In the ten years from 1966 to 1976, total personal expenditures by Canadians rose from \$36.9 billion to \$110.5 billion, or 200%. During the same period government expenditures rose from \$12.5 billion to \$45.1 billion, or 260%. Rising levels of expectations were engendered by unsustainably expensive public welfare schemes fostered by governments. The unfortunate example of two-class pension schemes, one for federal civil servants and another for corporate employees also, rightly or wrongly, has caused a backlash against Ottawa at a time when national unity is being severely tested.

Federal spending now appears to be held more in check and the provinces, with a few exceptions, are being forced into more prudent budgets. In the process the Bank of Canada has maintained a careful middle way between unduly high interest rates and excess credit availability. Canada has come through 1977 in a reasonably satisfactory way economically, considering the political uncertainty created by the strains on Confederation.

Outlook

Another year of slow growth is in store for Canada. Our dollar appears to have stabilized against the U.S. dollar and the inflationary effect of higher import prices will gradually diminish as the year progresses.

Removal of AIB regulations may not result in a rash of price and wage increases. Many companies are not in a position to raise prices even to levels permitted by AIB, due to competitive forces. In the circumstances profit growth will be slow and reinvestment in new plant and equipment will not rise much beyond 5% in real terms. Given the slow economic circumstances one would not expect significantly higher wage demands by unions that have the

welfare of their members at heart. The petroleum industry will continue to prosper as Canada moves toward world prices for its domestically produced crude oil and natural gas. Companies producing newsprint should also do well whereas those making pulp and mining most base metals will continue to struggle with oversupply. In short it appears to be another year in which political uncertainty here and tight credit abroad may keep the stock markets from rising significantly in the early part of the year, but we expect better equity conditions in the latter half.

Statement of Net Assets — December 31, 1977

Assets	1977	1976
Investments at market value (average cost — 1977 — \$73,695,818; 1976 — \$84,753,209)	\$ 97,843,965	\$106,412,586
Cash on deposit, demand	10,343,029	6,480,018
Interest accrued and dividends receivable	783,227	921,755
Bond interest paid on purchase	17,774	—
Due by subscriber to capital stock	4,500	23,888
Prepaid income taxes	—	481
Total assets	108,992,495	113,838,728
Liabilities		
Payable in respect of securities purchased	791,801	497,228
Payable for special shares of capital stock redeemed or purchased for cancellation	150,810	120,510
Management and directors' compensation payable	178,722	185,100
Accrued expenses and sundry accounts payable	8,355	9,544
Income taxes payable	6,669	—
United States withholding tax	1,439	1,500
Total liabilities	1,137,796	813,882
Net assets at market value	\$107,854,699	\$113,024,846
Net asset value per share	\$4.34	\$4.21
Shareholders' Equity		
Capital stock:		
Special shares of 33 1/3 cents each (redeemable on demand by the holders at liquidating value as provided in the Letters Patent of the Company) —		
Authorized —		
105,000,000 shares of which 61,854,516 (1976 — 58,557,875) have been redeemed or purchased for cancellation from inception		
Outstanding —		
24,814,625 shares (1976 — 26,793,644 shares)	\$ 8,271,542	\$ 8,931,215
Ordinary shares —		
Authorized and outstanding —		
3,000 shares of 33 1/3 cents each	1,000	1,000
Total capital stock	8,272,542	8,932,215
Surplus, per statements annexed:		
Paid-in surplus	3,491,351	10,891,613
Earned surplus	71,942,659	71,541,641
Total surplus	75,434,010	82,433,254
Unrealized appreciation of investments	24,148,147	21,659,377
Shareholders' equity as per net assets above	\$107,854,699	\$113,024,846

Approved by the Board:
ARNOLD HART, *Director*
HUGH BULLOCK, *Director*

Canadian Investment Fund, Ltd.**Statement of Income Account for the Year Ended December 31, 1977**

Income	1977	1976
Dividends	\$5,452,670	\$5,513,072
Bond interest	50,384	228,407
Interest on cash deposits	667,814	745,962
	6,170,868	6,487,441
Expenses		
Management	645,377	710,487
Transfer, dividend paying agent's and custodian's fees	105,563	111,645
General expenses and auditors' fees	107,130	101,949
Taxes, other than income taxes	4,085	4,122
Legal fees and expenses	15,390	11,376
Directors' compensation	85,500	85,500
	963,045	1,025,079
Net income before providing for the item shown below	5,207,823	5,462,362
United States withholding and Canadian income taxes paid and provided for	97,560	83,631
Net income, exclusive of profit or loss from sales of securities	\$5,110,263	\$5,378,731
Net income per share based on the average number of shares outstanding during the year	19.7¢	19.5¢

Canadian Investment Fund, Ltd.

Statement of Paid-In Surplus Account for the Year Ended December 31, 1977

	1977	1976
Balance at beginning of year	\$10,891,613	\$15,699,734
Less: Included in beginning balance of distribution account	7,116	12,120
	10,884,497	15,687,614
Proceeds from special shares subscribed for during year, not including portion of subscription price credited to distribution account	5,308,081	7,316,450
Less: Par value thereof	439,207	570,507
	4,868,874	6,745,943
	15,753,371	22,433,557
Deduct: Consideration paid on redemption or purchase for cancellation of special shares during year, not including amount charged to distribution account	13,365,369	12,535,953
Less: Par value thereof	1,098,880	986,893
	12,266,489	11,549,060
	3,486,882	10,884,497
Portion of subscription price included in balance of distribution account, per statement annexed	4,469	7,116
Balance of paid-in surplus at end of year	\$ 3,491,351	\$10,891,613

Statement of Earned Surplus Account for the Year Ended December 31, 1977

	1977	1976
Realized profits from sales of securities:		
Balance at beginning of year	\$69,758,250	\$67,990,522
Realized profits during year (Note 3)	1,394,892	2,895,621
	71,153,142	70,886,143
Deduct		
"Capital gains dividend" paid in cash or stock —		
Special shares	802,866	1,127,773
Ordinary shares	90	120
	802,956	1,127,893
Balance at end of year	70,350,186	69,758,250
Portion of balance of distribution account at end of year, per statement annexed	1,592,473	1,783,391
Balance of earned surplus at end of year	\$71,942,659	\$71,541,641

Canadian Investment Fund, Ltd.

Statement of Distribution Account for the Year Ended December 31, 1977

	1977	1976
Balance of distribution account at beginning of year	\$1,790,507	\$1,724,566
Balance of income account, per statement annexed	5,110,263	5,378,731
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	64,333	80,721
	6,965,103	7,184,018
Deduct		
Dividends paid —		
Special shares	5,162,179	5,211,956
Ordinary shares	600	570
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts	205,382	180,985
	5,368,161	5,393,511
Balance of distribution account at end of year	\$1,598,942	\$1,790,507
Included in paid-in surplus, per statement annexed	\$ 4,469	\$ 7,116
Included in earned surplus, per statement annexed	1,592,473	1,783,391
	\$1,596,942	\$1,790,507

Canadian Investment Fund, Ltd.

Statement of Changes in Net Assets for the Year Ended December 31, 1977

	1977	1976
Net assets at beginning of year	\$113,024,846	\$117,372,994
Add (deduct) changes during year:		
Net investment income	5,110,263	5,378,731
Realized profits from sales of securities (Note 3)	1,394,892	2,895,621
Increase (decrease) in unrealized appreciation of investments	2,488,770	(962,314)
Proceeds from subscriptions to special shares	4,838,386	6,684,729
Consideration attached to shares issued as dividend	534,028	712,442
Consideration paid on redemption or purchase for cancellation of special shares	(13,570,751)	(12,716,938)
Dividends declared on capital stock —		
From net investment income	(5,162,779)	(5,212,526)
From realized profits from sales of securities	(802,956)	(1,127,893)
	(5,170,147)	(4,348,148)
Net assets at end of year	\$107,854,699	\$113,024,846

	Per Share	
Net asset value at end of year	\$4.34	\$4.21
Net asset value at beginning of year	\$4.21	\$4.18
Distribution out of net investment income	20¢	19¢
Distribution out of realized profits from sales of securities —		
"Capital gains dividend"	3¢	4¢

Canadian Investment Fund, Ltd.

Statement of Changes in Investments For the Year Ended December 31, 1977

Increases	Net Increase	New Total
Common Stocks		
Abitibi Paper Company Ltd.	50,000	50,000
Alberta Energy Company Ltd.	15,000	15,000
The Alberta Gas Trunk Line Company Limited "A"	50,000	50,000
Calgary Power Ltd. "A"	5,000	30,000
Canadian Industries Limited	20,000	20,000
Canadian Superior Oil Ltd.	15,000	15,000
Canadian Tire Corporation, Limited "A"	10,000	20,000
Canron Limited	2,000	35,000
Cominco Ltd.	45,000	45,000
Dominion Stores Limited	5,000	30,000
Du Pont of Canada Limited	10,000	10,000
General Electric Company	5,000	5,000
Imasco Limited "A"	3,000	80,000
Inco Limited "A"	26,500	41,500
Inland Natural Gas Co. Ltd.	25,000	65,000
K Mart Corporation (1)	5,000	12,000
Maritime Telegraph and Telephone Company, Limited	10,000	10,000
Merck & Co., Inc.	3,000	3,000
The New Brunswick Telephone Company, Limited	18,000	31,000
Northern Telecom Limited	10,000	30,000
PanCanadian Petroleum Limited	6,500	48,500
Placer Development Limited	17,000	44,000
Southam Press Limited "A"	1,500	33,500
Texaco Inc.	4,000	10,000
Bonds	Principal Amount	
Government of Canada, 7½% February 1, 1980	\$500,000	\$500,000
Government of Canada, 7½% June 1, 1980	500,000	500,000
Decreases	Net Decrease	New Total
Common Stocks	Shares	
Bank of Montreal	16,000	250,000
The Bank of Nova Scotia	20,000	110,000
BP Canada Limited	32,000	50,000
British Columbia Telephone Company	24,000	100,000
Burns Foods Limited	85,000	—
Canada Cement Lafarge Ltd. "A"	35,000	85,000
Canadian Imperial Bank of Commerce	55,000	100,000
Consolidated-Bathurst Limited "A"	6,000	25,000
Dominion Foundries and Steel, Limited "A"	15,000	100,000
Dominion Textile Limited "A"	40,000	160,000
Eastman Kodak Company	6,000	—
The Gillette Company	10,000	—
Home Oil Company Limited "A"	40,000	25,000
Hudson's Bay Company	40,000	50,000
Hudson's Bay Oil and Gas Company Limited	35,000	50,000
IAC Limited	55,000	400,000
Imperial Oil Limited "A"	55,000	100,000
Interprovincial Pipe Line Limited "A"	50,000	190,000
MacMillan Bloedel Limited	20,000	65,000
Texaco Canada Limited	11,000	14,000
TransCanada PipeLines Limited	69,500	145,000
Hiram Walker — Gooderham & Worts Limited "A"	50,000	200,000
Westcoast Transmission Company Limited	10,000	—
Preferred Stocks		
Bell Canada, 9½% Conv.	10,000	—
British Columbia Telephone Company, 7.04%	28,000	—
British Columbia Telephone Company, 9.28% Conv.	76,375	—
Bonds and Debentures	Principal Amount	
U.S. Treasury Bills, February 10, 1977	\$1,000,000	\$ —
Hudson's Bay Company, 6% Exchangeable Debentures July 15, 1993	1,250,000	—
The Steel Company of Canada, Limited, 9¾% Debentures April 1, 1995	1,000,000	—

(1) Formerly S.S. Kresge Company

Canadian Investment Fund, Ltd.

Investments
As at December 31, 1977

COMMON STOCKS	Number of Shares	Market Value†	Proportion of a \$10,000 Investment*
Automotive			
Ford Motor Company of Canada, Limited	11,000	\$ 891,000	\$ 83
*General Motors Corporation	50,000	3,430,856	318
		4,321,856	401
Banks			
Bank of Montreal	250,000	4,500,000	417
The Bank of Nova Scotia	110,000	2,145,000	199
Canadian Imperial Bank of Commerce	100,000	2,512,500	233
The Royal Bank of Canada	180,000	4,972,500	461
The Toronto-Dominion Bank	60,000	1,042,500	97
		15,172,500	1,407
Non-Bank Financial			
IAC Limited	400,000	7,300,000	677
Building			
Canada Cement Lafarge Ltd. "A"	85,000	765,000	71
Business Equipment and Supplies			
*International Business Machines Corporation	10,000	2,985,255	277
Moore Corporation Limited	250,000	7,656,250	710
		10,641,505	987
Chemicals			
Canadian Industries Limited	20,000	372,500	35
Du Pont of Canada Limited	10,000	126,250	12
*Merck & Co., Inc.	3,000	182,068	17
		680,818	64
Food and Beverage			
John Labatt Limited "A"	75,000	1,528,125	142
The Seagram Company Ltd.	30,000	731,250	68
Hiram Walker — Gooderham & Worts Limited "A"	200,000	5,950,000	552
		8,209,375	762
Heavy Industry			
Canron Limited	35,000	835,625	77
Dominion Foundries and Steel, Limited "A"	100,000	2,412,500	224
*General Electric Company	5,000	270,641	25
The Steel Company of Canada, Limited "A"	40,000	980,000	91
		4,498,766	417
Mining			
Cominco Ltd.	45,000	1,316,250	122
Dome Mines Limited	7,000	491,750	46
Inco Limited "A"	41,500	783,313	73
Placer Development Limited	44,000	1,006,500	93
		3,597,813	334
Oil and Gas			
Alberta Energy Company Ltd.	15,000	264,375	24
BP Canada Limited	50,000	881,250	82
Canadian Superior Oil Ltd.	15,000	890,625	83
*Continental Oil Company (Del.)	7,000	228,678	21
*Exxon Corporation	15,000	787,320	73
Home Oil Company Limited "A"	25,000	1,165,625	108
Hudson's Bay Oil and Gas Company Limited	50,000	2,387,500	221
Imperial Oil Limited "A"	100,000	2,150,000	199
Interprovincial Pipe Line Limited "A"	190,000	2,683,750	249
PanCanadian Petroleum Limited	48,500	1,636,875	152
Shell Canada Limited "A"	165,000	2,928,750	272
Texaco Canada Limited	14,000	560,000	52
*Texaco Inc.	10,000	302,079	28
		16,866,827	1,564

Investments
As at December 31, 1977

COMMON STOCKS (Continued)	Number of Shares	Market Value	Proportion of a \$10,000 Investment
Public Utilities			
The Alberta Gas Trunk Line Company Limited "A"	50,000	\$ 812,500	\$ 75
British Columbia Telephone Company	100,000	1,525,000	141
Calgary Power Ltd. "A"	30,000	1,080,000	100
Canadian Utilities Limited	40,000	620,000	57
Inland Natural Gas Co. Ltd.	65,000	706,875	66
Maritime Telegraph and Telephone Company, Limited	10,000	220,000	20
The New Brunswick Telephone Company, Limited	31,000	620,000	57
TransCanada PipeLines Limited	145,000	2,211,250	205
		7,795,625	721
Pulp and Paper			
Abitibi Paper Company Ltd.	50,000	537,500	50
Consolidated-Bathurst Limited "A"	25,000	543,750	50
*Crown Zellerbach Corporation	10,000	371,790	34
MacMillan Bloedel Limited	65,000	1,186,250	110
		2,639,290	244
Retail Trade			
Canadian Tire Corporation, Limited "A"	20,000	520,000	48
Dominion Stores Limited	30,000	506,250	47
Hudson's Bay Company	50,000	925,000	86
*K Mart Corporation (1)	12,000	359,215	33
Woodward Stores Limited "A"	75,000	1,303,125	121
		3,613,590	335
Textiles			
Dominion Textile Limited "A"	160,000	1,420,000	132
Miscellaneous			
Brascan Limited "A"	65,000	966,875	90
Canadian Pacific Limited	225,000	3,909,375	362
Imasco Limited "A"	80,000	2,440,000	226
Northern Telecom Limited	30,000	810,000	75
Southam Press Limited "A"	33,500	770,500	71
Thomson Newspapers Limited "A"	35,000	428,750	40
		9,325,500	864
Total common stocks		96,848,465	8,980
BONDS			
Government of Canada, 7½ % February 1, 1980	\$500,000	497,750	46
Government of Canada, 7½ % June 1, 1980	500,000	497,750	46
Total Bonds		995,500	92
Total Investments		97,843,965	9,072
CASH, ETC., NET		10,010,734	928
Total Net Assets		\$107,854,699	\$10,000

†Investments valued at market quotations. (Note 1)

*Market values of United States securities are expressed in Canadian Funds at the rate of exchange prevailing on December 31, 1977, 9.35% premium on U.S. Funds.

*Dollar amount for each security represented by a \$10,000 investment in the Fund at asset value on that date.

(1) Formerly S.S. Kresge Company.

Notes to the Financial Statements December 31, 1977

Note 1. The market value of investments is based on the published last sales prices on national securities exchanges at December 31, 1977, or, in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchanges or over-the-counter.

Note 2. The number of special shares issued and redeemed or purchased for cancellation is as follows:

	1977	1976
Outstanding at beginning of year	26,793,644	28,042,802
Increase (decrease) during the year:		
Issued —		
For cash	1,186,410	1,549,984
As dividend	131,212	161,536
Redeemed or purchased for cancellation	(3,296,641)	(2,960,678)
Outstanding at end of year	24,814,625	26,793,644

Note 3. A summary of the realized profits from sales of securities follows:

	1977	1976
Proceeds from sales of securities	\$ 23,334,337	\$ 23,394,072
Investments at average cost at beginning of year	84,753,209	88,006,546
Cost of securities purchased	10,882,054	17,245,114
	95,635,263	105,251,660
Investments at average cost at end of year	73,695,818	84,753,209
Cost of securities sold	21,939,445	20,498,451
Realized profits from sales of securities	\$ 1,394,892	\$ 2,895,621

Note 4. There are ten directors (1976 — ten) and seven officers (1976 — seven) of the Company. Two of the officers are directors. The nine directors (1976 — nine) who are remunerated received \$85,500 (1976 — \$85,500). None of the officers received remuneration in their capacity as officers of the Company.

Auditors' Report



1200 McGill Avenue
Montréal, Quebec H3B 2G4
(514) 879-9050 Telex 05-268714

January 6, 1978

To the Shareholders of
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd., as at December 31, 1977 and the statements of income, paid-in surplus, earned surplus and distribution accounts for the year then ended. We have also examined the statements of changes in net assets and in investments. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in net assets and in investments for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Canadian Federal Income Tax Information

The Company has already sent to each shareholder a Federal income tax form T-5 (NR-4 in the case of non-resident shareholders) which sets forth the total amount of taxable dividends.

The table below shows the treatment for Canadian Federal income tax purposes of the per share dividends received from the Company during the calendar year 1977.

Dividend Payment Date	Total	Taxable as	
		Canadian Dividend Income	Canadian Capital Gains
February 1	3¢	3¢	
February 25	3		3¢
May 2	3	3	
August 1	4	4	
November 1	10	10	
	23¢	20¢	3¢

Capital Gains Dividend

The dividend of 3¢ per share paid on February 25, 1977 was a capital gains dividend payable in stock or in cash at the option of shareholders. Regardless of whether this February 25 dividend was paid in shares or in cash, Canadian taxpayers should include only half of the amount received in their income as a taxable capital gain. Shareholders who elected to receive this capital gains dividend in shares of the Company should use \$4.069,963 as the basis of cost for each share received.

Other Taxable Dividends

The other dividends paid in 1977 totalling 20¢ per share represent income from ordinary dividends as shown in the table above and these are to be treated as Dividends from Taxable Canadian Corporations. The "actual amount" of these dividends is clearly shown on the Canadian Federal income tax form T-5 as sent to shareholders resident in Canada. The next amount shown is the "taxable amount" which is the actual amount received "grossed up" by 33 1/3 %. This is the amount that should be reported by Canadian taxpayers as income from this Company. Finally, the Federal tax credit is shown and this amount can be used as a credit against Canadian income tax otherwise payable. Non-residents continue to receive Federal tax form NR-4 which shows gross amount of dividends and non-resident tax withheld. The Capital Gains dividend is not shown on the NR-4 as no non-resident tax was withheld from that dividend which is not necessarily to be considered income, depending on the country in which the non-resident is filing his tax return.

Valuation Day

The official value of your Company's shares for Valuation Day purposes is \$4.70 per share which was the net asset value per share at the close of business December 31, 1971.

We Recommend That Shareholders Preserve This Notice Carefully.

Long-Term Record

An Assumed Investment of \$10,000

Shareholders may find it interesting to review this chart which illustrates how an assumed investment of \$10,000 made at CIF's initial offering price in December 1932 had grown in the 45 years to the end of 1977. It should be pointed out that the figures make no provision for income taxes, if any, payable by the investor on dividends. Those interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, based primarily on dividend paying quality common stocks, should note the relatively minor fluctuations in the value of the investment from one period to another, as well as the long-term results.

